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Clinton Solidifies and Expands His Lead in the Polls

By Dan Belz and Ann Devroy Washington Post Service WASHINGTON — With just six weeks remaining in the presidential campaign, a series of national and state polls shows that Bill Clinton has solidified or even widened his already substantial lead over George Bush.

Other public polls issued in the last week show Mr. Clinton running ahead of Mr. Bush in such battleground states as Illinois, Ohio and Missouri, and competitive with the president in traditionally Republican states such as Florida and Indiana.

"We're as flat as the day we left the convention," said a Republican source, agreeing that Mr. Bush had made little progress with voters. The source suggested that voters had an "emotional callous" against Mr. Bush that only large-scale negative advertising might be able to break through.

The 21-point margin in the new Post-ABC poll is by far the largest of any recent poll, and one the Bush camp sharply disputes. In the past 10 days, six polls put Mr. Clinton's lead between 9 and 15 percentage points, while a daily "tracking poll" by the newsletter Hotline shows Mr. Clinton's lead at 7 points.

Denmark to Push For Changes in European Treaty

Additions Sought Before a 2d Vote By Danes Will Delay Pace of Union

By Tom Redburn International Herald Tribune In a move that will further slow the pace of European union, Prime Minister Poul Schluter of Denmark said Tuesday that his government planned to seek additions to the Maastricht treaty before holding a second referendum on the treaty after mid-1993.

While most other European Community nations want to press ahead with ratification of the treaty by the end of this year, the delay in Denmark also should postpone action in Britain, where Prime Minister John Major has said he will not submit the agreement to Parliament until it is clear what the Danes want to do.

Bonn and Paris In Urgent Talks But Silent on What Was Said

By William Drozdiak Washington Post Service PARIS — Stunned by growing public skepticism toward the Maastricht treaty, the leaders of France and Germany held an emergency meeting Tuesday looking for ways to recapture public support for European political and economic unity.



Chancellor Helmut Kohl, left, saying his good-byes Tuesday to President Francois Mitterrand after their urgent session on Maastricht.

Rumors of Devaluation Undercut Franc

By Carl Gewirtz International Herald Tribune PARIS — The Bank of France intervened heavily in the currency markets Tuesday to defend the franc amid turbulence sparked by rumors of an impending revaluation of the Deutsche mark. Denials by German and French officials failed to calm the market.

said market conditions were becoming increasingly hectic despite the substantial intervention by the Bank of France to defend the currency. News that a meeting in Paris between Chancellor Helmut Kohl of Germany and President Francois Mitterrand of France ended without any press conference or statement had no effect on the foreign exchange market.

Tuesday, pressured by a plunge in the bond market and general uncertainty over the direction of the dollar. "The Bank of France spent more today than it did Monday or last Friday, when the intervention was very large," a senior banker said.

Kissinger Defends POW Policies

Former Secretary of State Henry A. Kissinger angrily denied a "flat-out lie" on Tuesday claims that the Nixon administration knowingly abandoned U.S. prisoners of war in its rush to withdraw from Vietnam.

Peacemakers in Cambodia: Disillusioning Experience

By William Branigin Washington Post Service PHNOM PENH — After two decades of war and upheaval, Cambodians greeted the arrival of the first UN peacekeeping troops last November with undisguised joy and relief. Exuberant crowds outside the soldiers' compound would stare at them for hours. Hopes grew that Cambodia was saved at last.

Happy Birthday! At Least for Women

By Sandra Blakeslee New York Times Service NEW YORK — An approaching birthday seems to prolong life in women and precipitate death in men, according to the largest study ever done on psychological factors and time of death.

Soccer's \$7 Million Bad Boy Is Back

Compiled by Our Staff From Dispatches ZURICH — Diego Maradona, the superstar of soccer whose brilliance was dimmed by criminal charges and paternity suits, then snuffed out by his use of cocaine, got what he wanted Tuesday: A transfer from the Italian club Napoli to the Spanish team FC Sevilla that opened the way for his return to the sport.

Table with financial data: Dow Jones (Down 39.98), Trib Index (Down 0.13%), The Dollar (New York, 1.4975), Pound (1.686), Yen (120.97), FF (5.1075).

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Happy Birthday! At Least for Women

through another one of these stock-taking periods. The study, published in the current issue of Psychosomatic Medicine, the Journal of the American Psychosomatic Society, found 3 percent more deaths than expected among women in the week after a birthday and a slight decline in the week before. For men, deaths peaked just before birthdays and showed no rise afterward.

But when a symbolic occasion is anticipated with pleasure, he said, it seems to function as a lifeline. Thus Mr. Phillips found in an earlier study that Jewish mortality dipped 31 percent below normal before Passover and peaked by the same amount just afterward. Similarly, Chinese mortality dips and peaks around the Harvest Moon Festival.

Maradona with his wife, Claudia, in Spain: "This is the happiest day of my life." See MARADONA, Page 23

Soccer's \$7 Million Bad Boy Is Back



Sevilla agreed to pay \$7.5 million to take over the 31-year-old midfielder's contract from Napoli, the two club presidents said after working out the details of the transfer during a meeting that lasted nearly five hours.





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RETHINKING EUROPE: The idea of a 'defense identity' is also likely to be watered down

Doubts on Maastricht Seem Likely to Delay EC Military Force

By Joseph Fitchett
International Herald Tribune
PARIS — Plans for harnessing European Community countries' diplomatic and military strengths...

by both governments as crucial to their effort to appear as the pacesetters for the European agenda...

Now, EC intentions about closer military cooperation, even in the deliberately cautious terms used at Maastricht, need "clarification," according to the head of the Western European Union...

regulate their exchange rates, but the military provisions — added as a political response to German reunification — had to paper over unresolved disputes between French and German desires for strong language and British fears that the program was unrealistic and liable to alienate American opinion.

It's Hands Across the Rhine In Alsace, a German-French Partnership

By Barry James
International Herald Tribune
As President François Mitterrand and Chancellor Helmut Kohl discussed French-German cooperation in Paris Tuesday, the people of Alsace were living it — and happy enough with the arrangement to have voted massively "yes" in Sunday's referendum on Maastricht.

where in France in the referendum, the feeling in Strasbourg was that "it is much better to have the Germans integrated in Europe than out on their own," according to Jean-Jacques Fritz, who works for the European Parliament in Strasbourg.

SUMMIT: Mitterrand to Reduce Work Load for 3 Weeks

(Continued from page 1)
there was no question of changing the Maastricht text, but he added, "It can be established that, for example, too much is regulated on the European level to the detriment of countries, then we must abolish this where it happens. We must undo it."

achieved now that French voters had approved Maastricht, however narrowly. Only 51.05% approved.
Olivier Dubamel, a political scientist, said in the weekly magazine L'Express that Mr. Mitterrand should couple his departure with a reduction of the presidential term from seven to five years — "a democratic length."

Japanese Visit NATO For Talks on Security

BRUSSELS — A high-level Japanese delegation representing major political parties visited North Atlantic Treaty Organization headquarters here Tuesday to discuss security issues.

The currencies of all five of the Community's inner core are already closely linked, and many analysts believe that it would not be difficult for them to push ahead faster than Britain, Denmark, Spain and Italy toward a single European currency.

He met Tuesday with Chancellor Helmut Kohl of Germany, but Prime Minister Pierre Bérégovoy will stand in for him on Thursday night at a discussion on the bicentenary of the republic at the Sorbonne.

Mr. Mitterrand is to receive Nursultan A. Nazarbayev, the president of Kazakhstan, on Wednesday.
He said the president could point to the ratification of the Treaty on European Union and his cancer as reasons for going.

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# In Latin America, A Tradition (Graft) Stymies Reforms

**By Julia Preston**  
*Washington Post Service*

**RIO DE JANEIRO** — In Brazil, the president may be impeached for taking illicit payments to spruce up his garden. Venezuela's president, seen as lax on corruption, has faced attempts to drive him from office. In Mexico City, protests against government-rigged elections have become a regular event.

All across Latin America, said Professor Abraham Lowenthal, a veteran observer of the region, "the degree of public awareness and indignation about corruption is greater than at any time in the last 25 years." The failure of some leaders to clean up their governments has become a main source of instability in the region's democracies.

Despite the outrage, however, few gains have been made in prosecuting crooked officials or changing ingrained corruption. Latin American voters have continued to put up with pocket-lining politicians and bureaucrats as long as they feel that government is improving the public's lot as well.

Corruption in Latin America is as old as the 16th-century Spanish and Portuguese conquests. Those empires ordained baroque formalities and intricate laws under which bribing officials became the way to cut through the administrative overgrowth.

But this century's nationalist governments, by expanding and centralizing state power, made it the engine of economic growth and a large-scale arena for corruption. Graft moved from the open palms of petty clerks and the police to the bank accounts of judges, election supervisors and high officials with control over government budgets.

Still, for decades these top-heavy states provided material progress

for the politically pivotal middle classes, often through public-sector employment.

But in the 1980s, heavily indebted governments had to cut spending — shedding state workers, firms and projects. Middle-class living standards slid, unemployment surged and basic social services declined.

By 1990, the United Nations Economic Commission for Latin America and the Caribbean reported, 183 million people in the region could barely feed their families — an increase to 44 percent of the population from 41 percent in 1980.

In the debt-ridden countries, the state has gone in the popular view from patron to malefactor. Hernando de Soto, of Peru's Institute for Liberty and Democracy, said bureaucrats could no longer argue, "I may be stealing, but your standard of living is rising."

Today, polls show, Latins of all social classes believe their governments are corrupt.

Politicians have seen that attacking corruption wins votes. President Carlos Salinas de Gortari began his term in 1988 promising to end gross electoral fraud in Mexico, where one party has been declared winner of all but a handful of elections since the 1930s.

Peruvians backed President Alberto Fujimori after he dissolved the courts and the Congress on April 5, so great was public distrust of those institutions.

Brazil's president, Fernando Collor de Mello, swept the 1989 election with his attack on public functionaries who collect huge salaries without working. But a congressional commission's recent



Students in Rio demanding the impeachment of President Collor, who is accused of illicit dealings.

finding that Mr. Collor took millions of dollars' worth of secret payments in kickbacks has set off a drive to impeach him.

Venezuela's Carlos Andrés Pérez has faced violent student protests and, in February, a coup attempt by young military officers. After Mr. Pérez was elected president for a second time, in 1988, press allegations about officials skimming

commissions from government contracts incensed Venezuelans, who were suffering from Mr. Pérez's fiscal austerity measures.

In Mexico, although opposition leaders concede that Mr. Salinas has made inroads in cleaning up the machine of the dominant Institutional Revolutionary Party, they assert that the party is financed by government resources and that Mr.

Salinas has failed to address that issue.

Mr. Salinas has dismissed some officials accused of abusing power for financial gains and ordered the arrest of others. But observers say he enforces the laws selectively, sparing some officials believed to be doing business with private companies they are supposed to regulate.

# Few in Haiti Believe in OAS Team

## Military Sees It as Small Concession to World Opinion

**By Howard W. French**  
*New York Times Service*

**PORT-AU-PRINCE, Haiti** — When 18 international human-rights observers began arriving here this month, many Haitians welcomed what they hoped would be the mission's calming effect after the year of fear and violence that followed the overthrow of the elected president, the Reverend Jean-Bertrand Aristide.

But with the deployment of the team from the Organization of American States, few in Haiti, be they the president's supporters or his bitter foes, expressed faith that diplomacy alone could bring a return to democracy.

For Father Aristide's enemies, bolstered by their successes in surviving an embargo declared 11 months ago, the mission was seen as a small concession to the outside world.

"Nothing much is going to change, because we will just keep hanging in there, whatever it takes," a businessman said.

Although Father Aristide's backers support the team in the hope that its presence can help stem widespread army brutality, many said they feared that the organization was acting less out of conviction that it could restore an elected government than to avoid losing face by withdrawing empty-handed.

Conceived months ago as a mission of 500 people or more who would help prepare the president's return

by deterring violence and reinforcing the justice system, the deployment has been limited to 18 people by the country's military-backed government.

"This is truly negligible," said René Théodore, the leader of Haiti's small Communist Party, who has been selected by Father Aristide as a compromise choice for prime minister.

Diplomats associated with the mediation effort are split. Some express skepticism that Haiti's military leadership and the civilian government it installed can be brought to seriously corgiate Father Aristide's return. Others, while acknowledging long odds, still hold out hope.

"I think that eventually they will consider the president's return and that Aristide will again be back in the picture," a diplomat said. Then, referring to the United States, he added, "It all depends on our persistence and whether or not the big players keep sending the message that this is serious."

Other diplomats said that with responsibility for hundreds of deaths on their hands, and the deposed president's insistence that they be punished, no amount of talking is likely to make Haiti's Army leaders resign. Moreover, they said, many in the army have grown rich in a contraband market that has flourished under the international embargo.

"These people have resisted with as much fervor as they could muster," a diplomat said of the army leaders. "One year later, it is pretty clear that Aristide is no closer to coming back."

# Pending Purge Raises Tension in El Salvador

## By Shirley Christian

*New York Times Service*

**SAN SALVADOR** — The imminent purge from the Salvadoran Army of high-level officers with records of repression — an important part of the peace treaty reached on Jan. 16 — has added to rising tensions between the two former sides in the civil war.

United Nations peacekeepers discount the possibility that army unhappiness will lead to a coup attempt. They say that most of the political tension is linked to other aspects of the peace plan, particularly the possible snags in the rebel demobilization because of delays in carrying out the government's commitment to provide land to the former insurgents.

The most obvious signs of tension were the killings in recent weeks of at least five men linked to army intelligence, plus a number of killings of bodyguards and drivers working for leaders of the former rebels, union officials, and others identified with the rebels, and several other clashes between supporters of the government and those of the insurgents.

UN peacekeepers and others who have sought to investigate say

that in a few cases killings that looked political on the surface turned out to be the result of lovers' quarrels, barroom brawls, or common crime. But they said they felt the majority were, in fact, political. None of the killings involved well-known people, and no group took responsibility.

"We are entering a tense period; violence is up," said Iqbal Riza, the Pakistani who is chief of the UN peace mission overseeing the peace accords. "But I think the peace process is irreversible, provided the agreements are carried out."

He said he considered it remarkable that there had been no hostile fire between the army and the former rebels and no attempts on the lives of any senior insurgent leaders. But he said that only the quick action of UN troops had prevented a clash between the two sides at independence day celebrations on Sept. 15.

Despite its complaints that the government is not moving quickly enough to set up a land distribution program, the Farabundo Martí National Liberation Front carried out the second phase of its planned five-step demobilization on Monday.

# AGE: Birthday Study

## (Continued from page 1)

death and those born on Feb. 29, because they celebrated their birthdays on a date not known to the researchers.

But why do men tend to die before their birthdays while women die soon after?

"We have no inkling of how women postpone dying," Mr. Phillips said. But he went on to speculate that the explanation might lie in the ways people take stock of their lives and accomplishments on their birthdays.

In American culture, men are encouraged to base their self-esteem on work achievements, but not everyone can become chairman of the board. Thus, stock-taking may remind men of their failures, thus becoming a dreaded event, he said.

American women are encouraged to value, develop, and maintain social relationships, he said. So if birthdays are a time of increased attention from family and friends, they may become a lifeline event.

This view is confirmed, Mr. Phillips said, by a part of the study involving the timing of death for 390 famous Americans — highly accomplished men and women who were likely to receive substantial attention on their birthdays.

# UN: A Disillusioning Experience in Cambodia

## (Continued from page 1)

ations, especially the older ones." He said budget cuts were in the works for the UN Interim Force in Lebanon, deployed since 1978; the UN Disengagement Observer Force, posted in the Golan Heights since 1974; and the UN Truce Supervision Organization, stationed in the Middle East for more than 40 years.

He also suggested a reappraisal of peacekeeping operations that drag on for decades, consuming hundreds of millions of dollars, while negotiations remain deadlocked. In Cyprus, for example, he noted, a UN force has been deployed since 1964 with no apparent progress toward solving the island's conflict. In Kashmir, a small team of UN military observers has been monitoring a cease-fire line since 1949.

Although peacekeeping operations traditionally have accounted for a relatively small share of total UN spending, they have become important symbols of the world organization's primary original mission: preventing conflict. But because the Security Council's five permanent members, including the United States, the Soviet Union and China, hold veto power in the Council, Cold War considerations blocked many opportunities for UN intervention. Since the United Nations was founded in 1945, an estimated 20 million people have been killed in more than 100 major conflicts.

In Namibia, the UN Truce Supervision Assistance Group, set up to oversee a cease-fire and supervise an election in the African territory, raised U.S. concerns last year when it "donated" UN property worth nearly \$26 million to the new government at the end of its mission instead of keeping it for future operations. According to an inventory, the property included \$18.3 million worth of "transportation items," notably 1,400 four-wheel-drive station wagons, sedans and pickup trucks.

U.S. diplomats who monitored the operation had little doubt about the beneficiaries of the UN largesse.

"U.S. taxpayers should not be required to provide new equipment every time the UN sets up an operation, only to have it given away to local government officials," a memorandum on the donation said.

In Somalia, a new peacekeeping operation got off to a rocky start last month amid intense criticism of the performance of UN relief agencies there. According to private relief agency officials, a UN technical team assigned to scout territory for possible food distribution would be protected by UN troops spent 10 days flying around Somalia but failed to contact voluntary aid groups that have been working inside the country for months and took too long to make its "assessments" while people starved.

The United Nations now plans to send 3,500 troops to help guard

food shipments and supervise a cease-fire for six months at a projected cost of \$130 million.

Here in Cambodia, questions about the peacekeeping mission are multiplying as the operation hits snags and its timetable slips. Member governments that pay the bills want to know how the United Nations is managing the venture and spending the money.

Parts of the operation are hurching forward. Refugees are returning, and money is flowing into the country. But UN sources and other officials say the effort also has been marked by confusion, delays, profligate spending and some questionable deals.

In a coming report on Cambodia, the human rights group Asia Watch says that UN plans for repatriating refugees "were grounded in a number of miscalculations." It describes the UN Transitional Authority in Cambodia as engaged "in a race against time" driven by UN-sponsored peace plan that has promised "too much, too quickly." Human rights safeguards have been compromised, it says, and "information given to refugees has been constantly revised, sometimes in a 'misleading' way that has tended to 'undermine faith in the UN.'"

The UN peace mission in this country of 8 million is charged with monitoring a cease-fire and helping govern in preparation for national elections in 1993 under the Paris peace plan. To fulfill that mandate, it plans to deploy 19,500 troops, military observers and civilian police, plus thousands of local employees.

Besides the \$1.7 billion cost of the peacekeeping mission, an additional \$380 million in voluntary contributions has been solicited to finance reconstruction of the country and repatriation of refugees.

Of the budget for the UN peace mission in Cambodia, only \$120,000 is earmarked for external auditing. By comparison, nearly \$2.5 million is set aside for "contractual services for laundry, dry cleaning, tailoring and haircutting." The mission also plans to spend more than \$1 million for televisions and video equipment, \$600,000 for newspaper and magazine subscriptions and \$200,000 for UN flags and decals, its budget shows.

In a report on the Cambodian operation in May, the UN Advisory Committee on Administrative and Budgetary Questions expressed concern about the external auditing and cited costs that it considered "excessive" in many areas. Of \$234.5 million budgeted for "premises and accommodation," for example, \$67.2 million is earmarked for "upgrading of tent accommodations for military contingents," it noted. The report said this amount was too high because most of it applies to only 9,600 UN military personnel. Six contingents are scheduled for withdrawal by October, it added, and the troops are subject to rotation.

Citing budget allocations of

more than \$52 million for the purchase of 8,044 vehicles — in addition to those accompanying troop contingents — the committee said the ratio of vehicles to staff was too high and that "unit prices should be considerably lower."

Perhaps the most controversial deal to date has been a contract to supply more than \$50 million of fuel, oil and lubricants to the UN peace mission in Cambodia. The contract was awarded in August to a secretive Singapore-based company, Continental Offshore. Neither the company nor the UN procurement office would divulge its ownership.

According to UN figures, \$346 million — 20 percent of the budget for the UN peace mission in Cambodia — is allocated to salaries, staff costs and per-diem payments to mission personnel. Military observers, civilian police and international staff members receive per-diem "mission subsistence allowance" payments of up to \$145 on top of their salaries. For many, these largely bankable payments, which are meant to cover lodging and meal expenses, serve as a major incentive for joining the UN force.

Asked recently why he volunteered for Cambodia, an Uruguayan naval officer rubbed thumb and forefinger together in the universal sign for cash. In four days here, he said, his per-diem would pay him the equivalent of his normal monthly salary back home, and he figured he could bank 80 percent of it — nearly \$3,500.

Noting that estimates of the total per-diem payments come to about \$227.5 million, the advisory committee called for a review of the rates.

For residents of Phnom Penh and other areas, one of the most criticized aspects of the UN presence has been its effect of driving up prices.

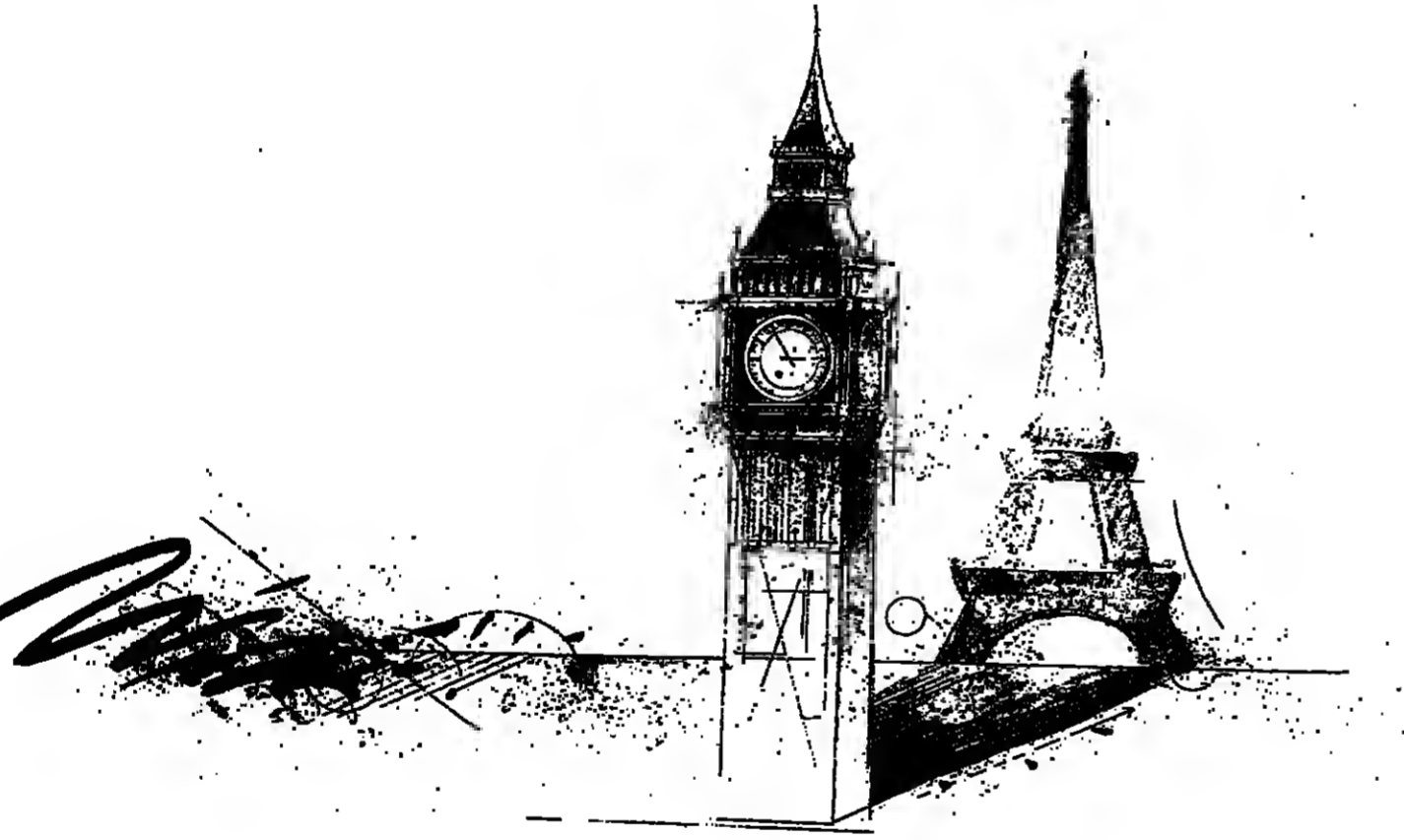
In a country where per-capita income is about \$150 a year, the United Nations has been paying \$6,000 a month and more for houses in the capital. Topping the list of rental properties is a concrete building with 36 rooms, for which it paid \$26,500 a month — about three times higher than estimates of its normal market value even with the current UN-inspired inflation.

In the provincial town of Mongkol Borei recently, the UN mission swooped in and, without checking rates with any of the non-governmental aid agencies based there, rented a house for \$2,000 a month. The aid agencies, which had been paying \$200 to \$300 a month for their premises, were promptly hit with demands by their landlords to hand over \$1,000 a month and more or move out.

Along with its soldiers, its bureaucracy and its Midas touch, the United Nations has brought a few other problems into the picture. Added to the perennial plague of official corruption have been new levels of greed and vice in the frenetic get-rich-quick atmosphere.

**NEXT: Reforming the UN**

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# Kissinger Defends Actions on POWs

## At Senate Hearing, He Rejects A 'Dishonorable Accusation'

Compiled by Our Staff From Dispatches  
WASHINGTON — Former Secretary of State Henry A. Kissinger denied on Tuesday that the Nixon administration had abandoned any known U.S. prisoners of war when U.S. troops left Vietnam in 1973.

In Senate testimony, Mr. Kissinger, a former national security adviser who negotiated the Vietnam peace agreements, dismissed such charges as a "dishonorable accusation."

Mr. Kissinger said the United States had never been satisfied with prisoner lists provided by Hanoi at the time he was leading peace talks that led to the U.S. withdrawal in March 1973.

But he said the administration of President Richard Nixon never had confirmation of any specific individual being held back.

"We did not know of confirmed prisoners and had we known it, we would have taken the most drastic steps," Mr. Kissinger told the Senate Select Committee on POW-MIA Affairs.

Mr. Kissinger testified the day after two former secretaries of defense in the Nixon administration, James R. Schlesinger and Melvin R. Laird, told the committee they believed some American prisoners were still in Vietnam and Laos after U.S. troops were withdrawn.

Mr. Kissinger said Tuesday that news stories suggesting that Nixon administration officials knew of more POWs amounted to "the most dishonorable accusation that can be made."

Mr. Kissinger said he had advocated the resumption of military operations to enforce the Paris peace agreement and its provisions for the return of POWs starting in the middle of March 1973.

But he said that the anti-war mood in the United States, com-

binated with specific actions by Congress against further military action, prevented Mr. Nixon from retaliating.

Under the peace accords, North Vietnam handed over 591 Americans in early 1973. Only nine of these former POWs had been captured in Laos.

Previously classified documents show that senior Pentagon aides believed the Pathet Lao Communists were probably still holding U.S. prisoners after the nine were released.

The Defense Department still lists 2,266 Americans unaccounted for from the war.

In a challenge to the committee chairman, Senator John F. Kerry, Democrat of Massachusetts, Mr. Kissinger said it was "a really bizarre situation" that people who were arguing against U.S. policy at the time now say that Nixon administration negotiators should have been tougher.

Mr. Kerry read from newly released secret documents suggesting that while the fate of POWs was a top priority during peace negotiations, it became a secondary concern after the Paris peace accords were signed in 1973.

"Mr. Chairman, you're just playing with documents," Mr. Kissinger said.

"I'm playing with facts," Mr. Kerry replied.

According to documents released by the committee, Mr. Nixon told the nation in a televised address on March 29, 1973, that as a result of the Paris accords "all of our American POWs are on their way home."

On Monday, Mr. Laird, who had resigned as secretary of defense before Mr. Nixon gave that speech, told the committee that he regretted Mr. Nixon's implication that all POWs were accounted for.



Henry A. Kissinger prior to his testimony Tuesday before a Senate hearing on Vietnam POWs.

Unanswered questions about missing servicemen are the chief impediment to normal U.S. relations with Vietnam and the lifting of a trade embargo. (Reuters, AP)

**Slate Clean, Russian Says**  
The Russian co-chairman of a commission looking for American POWs said Tuesday that none was

alive in Russia. The Associated Press reported from Moscow.

"I am deeply convinced that there is not a single American POW alive in the country," said General Dmitri A. Volkogonov, reacting to criticism Monday from his counterpart on a joint U.S.-Russian search committee.

"We are finding graves, we are finding details about the fates of many Americans, which are often worthy of Shakespeare's pen," Mr. Volkogonov said.

President Boris N. Yeltsin will meet Wednesday with the U.S. co-chairman, Malcolm Toon, and hand over documents about two Americans reportedly executed on espionage charges during the Cold War.

# A Legendary Communist Falls

## Japan Party Drops Founder, 100, as Traitor

By David E. Sanger  
New York Times Service

TOKYO — At the age of 100, Sanzo Nosaka is easily Japan's most famous and respected Communist, a founder of the Japan Communist Party and the man who made it a prominent, if never very influential, element in the country's political scene.

But Mr. Nosaka's legendary career in Japanese politics — he survived arrest, imprisonment and exile — has come to an abrupt and bizarre end. Seven decades after he helped begin the party in Tokyo

decadades, his successors claimed to have discovered evidence that he was actually a traitor to the cause, and dismissed him as its honorary chairman.

What led Sunday to Mr. Nosaka's downfall, party officials said Monday, was a letter written in 1939 and discovered this year in the newly opened archives of the former Soviet Communist Party.

It proved, they said, that the hero of Japanese communism had falsely accused one of the party's legends, Kenzo Yamamoto, of spying on Moscow for the Japanese police in the years before World War II.

Several weeks later, Stalin's firing squads executed Mr. Yamamoto.

For Japan's oldest political party, marking its 70th anniversary this year amid growing doubts about its ability to survive, the humiliation of the party's elder statesman may prove a crippling blow.

In one of the world's most fervently capitalist countries, the Communist Party looked increasingly irrelevant even before the Soviet Union's collapse. In elections last month, the party won only 6 of the 127 seats up for election in the upper house of parliament. In the whole parliament, they now hold only 3.5 percent of the seats.

Still, the party plays an odd role in Japan: ideologues in a country of (or ten) seemingly devoid of political ideology, a spokesman for workers and a critic of the existence of the Japanese military and monarchy. Even those who disagree with the party's platforms say they respect many of its leaders, not least because they are perceived as honest.

For the party's loyal old line, the discovery of Mr. Nosaka's role in the events leading to Mr. Yamamoto's execution has been jolting.

Takashi Tachibana, a journalist who has written a history of the Japanese Communist Party, said Mr. Nosaka became "a divine figure" among Japanese intellectuals. Now, he said, "the image is totally overturned."

According to Japanese press reports, despite his age Mr. Nosaka attended a meeting of the party's Central Committee last week and admitted that he had been the author of the letter, which was written in English, that surfaced from the Soviet files. The party's newspaper, Akahata, or Red Flag, said Monday that he had stood at the meeting and responded simply that he had nothing to say.

In many ways, the incident that burst into the headlines Monday seemed like a scene from the brittle old newsreels that Japanese television runs each day to fill dead air time between shows. It recalled the prewar days when Japan's Communists were a secretive, outlawed organization battling the rightist military government.

Mr. Nosaka, who studied Communist theory in England until he was deported, earned his credentials by being arrested time and again in the 1920s, once during a mass arrest of Communists in 1928 that nearly crushed the movement.

At the time, he and Mr. Yamamoto were natural allies. The son of a farmer, Mr. Yamamoto became a founder of one of Japan's early labor organizations. But he had a knack for staying one step ahead of police raids, which raised suspicions in Mr. Nosaka's mind.

In 1928 Mr. Yamamoto fled to the Soviet Union. Mr. Nosaka followed a few years later, before moving on to the United States in the 1930s to engage in more underground work. In 1937, Mr. Yamamoto was arrested by Stalin's troops on treason charges. Until recently, Japanese Communists believed a Soviet report that he had died in prison in 1942.

But over the years, the party said, new evidence suggested that Mr. Yamamoto was not a spy. And when the archives were finally opened, new details emerged, including the fact that Mr. Yamamoto was actually shot.

No one knows why that happened, but a letter from Mr. Nosaka, apparently his second one, appears to be the missing link. "I thought that this might help you in your investigation of all cadres and sweeping away all doubtful elements," said the letter, released by the party Monday.

It detailed several incidents in which Mr. Yamamoto escaped arrest or questioning, and meetings he knew about that were raided by the police. The party's Central Committee concluded last week that the letter was particularly damning because it "was a voluntary one," not forced by the Soviets or even a response to an inquiry.

The archives gave up another tidbit. In 1945, Mr. Nosaka had secretly advocated to the Soviets that the Japanese monarchy be preserved, so the Communists would not alienate the Japanese people. He advocated overthrowing Emperor Hirohito and installing his young son, Akihito, in his stead.

Confronted with the documents, Mr. Nosaka said last month that he had made a big mistake by suggesting the continuation of the monarchy, but he explained that he "had been away from my country a long time."

Even in their anger, the Communists seem unable to cut Mr. Nosaka off completely. In a country that prides itself on having 4,000 Japanese who are 100 or older, it is bad politics to cast one out in the street.

So Mr. Nosaka, the party reported Monday, may lose his place in history, but not his paycheck. As long as he is around, he will receive "necessary consideration to his livelihood."

# Roh Sees Better Chances for Unity

By Don Oberdorfer  
Washington Post Service

NEW YORK — President Roh Tae Woo of South Korea says his country's normalized relations with China and Russia have improved the chances for unification with North Korea and has called for a broadened Northeast Asia dialogue to assist the reconciliation process.

Mr. Roh, speaking Monday in an interview on the eve of an address to the United Nations General Assembly, also said that South Korea was prepared to show flexibility in the bilateral inspections it is demanding of North Korea to confirm the absence of an ongoing nuclear weapons program.

Although International Atomic Energy Agency inspections of North Korea's nuclear facilities began this past spring, Seoul and Pyongyang remain deadlocked over mutual bilateral inspections, which are expected to be more rigorous. Other aspects of North-South cooperation have been set back, and the United States and Japan have refused major improvements in relations with North Korea until the issue is settled.

Mr. Roh did not specify what compromises might be made in Seoul's demand for 49 nuclear inspections on each side annually, with up to 20 of these involving military facilities. While sticking to the principle of mutual inspections, he said, South Korea is prepared "to take flexible positions" on details, and said specifically that the number of inspections was "somewhat flexible."

In contrast to the agency of earlier pronouncements, Mr. Roh displayed diminished concern that Pyongyang's drive for atomic weapons could succeed soon.

"North Korea's plans — to the extent they exist — have been somewhat weakened and have met with resistance" as a result of outside pressure, he said.

Nevertheless, the South Korean leader noted, it remains the task of North Korea to "clear the suspicions" of other nations about its nuclear ambitions.

Mr. Roh said that he expected China to use its influence to convince Communist North Korea, which is among the most isolated nations on earth, that economic reforms and openings to the outside world are essential to progress.



Bill Myers, Television Journalist

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**POLITICAL RISKS AND LONG-TERM INVESTMENT**

**KEYNOTE ADDRESS**  
Leonid M. Kravchuk, President of Ukraine

**DEMOCRACY: THE EAST'S PANACEA?**  
The underlying issues that will help support or bring down these new democracies. What are the political guidelines that will help build an efficient economy?  
Dr. Marek Boguszak, Managing Director, AISA (Association for Independent Social Analysis), Prague  
Elena I. Bashkirova, Director, ROMIR, Russian Public Opinion and Market Research, Moscow

**TENSIONS AND CONFLICTS: HOW ARE PEOPLE REACTING TO LANDSLIDE CHANGES?**  
How will the ideologies of Capitalism/Liberalism and Communism conflict? Division from within: What is the price of fast-track economic reform? What is the impact of increasing regional conflict?  
J. F. Brown, Distinguished Scholar, RFE/RL Research Institute, Munich  
Alexander Kabakov, Deputy Editor and Chief Political Commentator, Moscow News, Moscow

**BUILDING POLITICAL & ECONOMIC RELATIONS WITH THE NEW DEMOCRACIES**  
Paavo Vayrynen, Minister for Foreign Affairs, Finland

**THE EMERGING FREE MARKET**

**HOW TO WORK WITH THE EBRD**  
Ronald Freeman, First Vice President, European Bank for Reconstruction and Development, London

**THE KEY ELEMENTS FOR SUCCESSFUL INVESTMENTS**  
Restructuring, Financing and Privatization. What are the prospects and pitfalls?  
Working with the workforce — ideologies, training and motivation.  
John C. Shakeshaft, Vice President and Head of Central and Eastern European Coverage, Morgan Stanley International, London  
Volker Steinwiescher, Head, Project of CSFR, Volkswagen A.G.  
Richard Norton, Senior Vice President, Business Development, East-Europe, Middle East and Africa, Pepsi-Cole International, Vienne

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Europe at a Crossroads

A Two-Level Solution?

Europe now has to decide what direction it wants its Community to take. The Maastricht treaty was supposed to answer that question for the next decade or two.

European Unity Lives

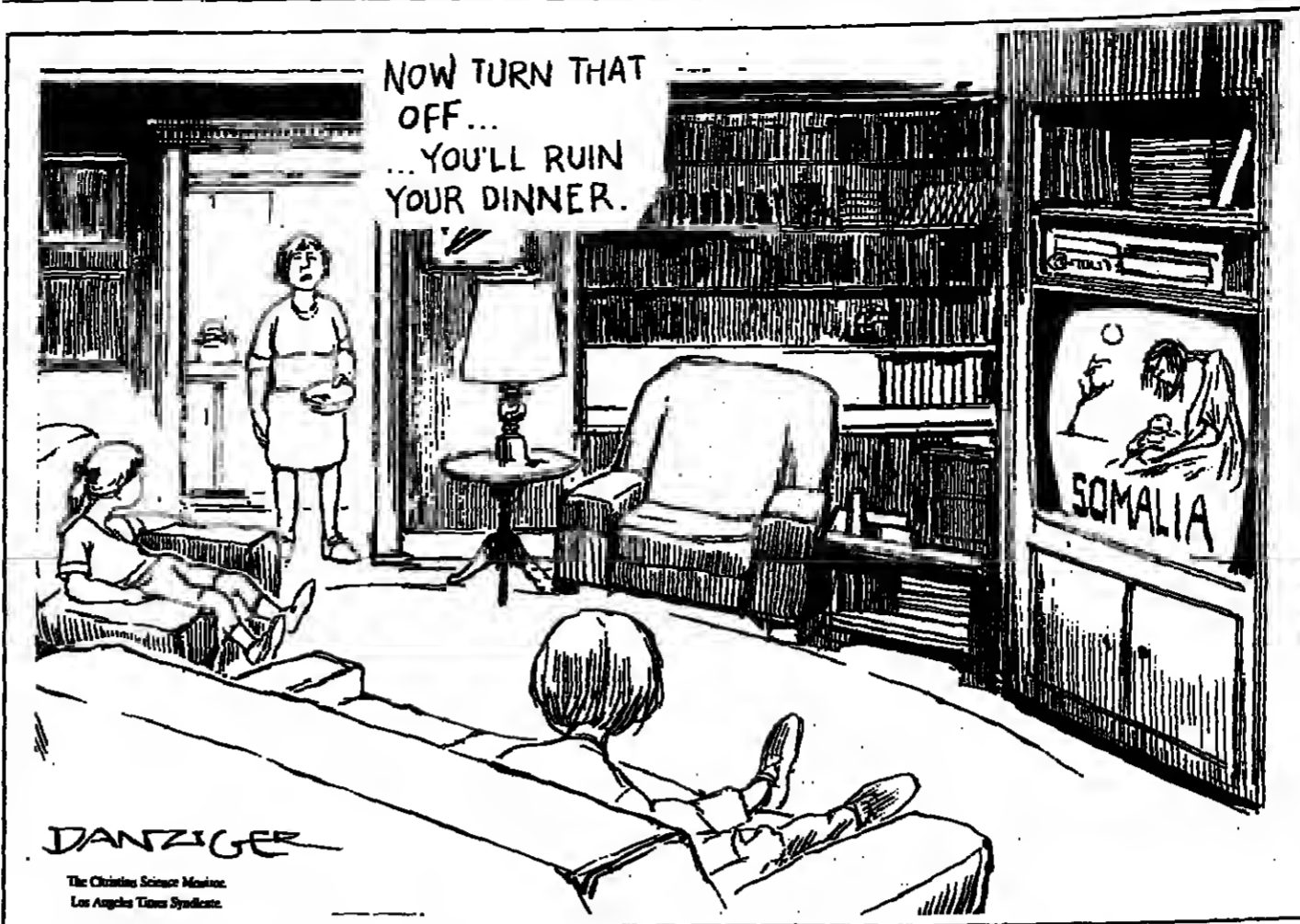
For Americans, the news from France is close but clear. European unity lives, and that is in the best interests of the United States.

Games With Minivans

What drives along America's highways, runs on gasoline and carries passengers? Put the question to first-graders and they would answer "cars."

Other Comment

The Problems Will Remain The world as seen from the Oval Office next Jan. 20 will be a far different place from the world the last nine presidents have known.



The West Might Evolve a New System for Security

By Max Jakobson

HELSINKI—The diplomatic effort under way in Geneva to make peace in the former Yugoslavia has been dismissed by many commentators as a hypocritical maneuver.

Well, It Is True, Francois Mitterrand Is Still Alive

By Jim Hoagland

PARIS—His name was linked that morning with that most dreaded word, cancer. He had been taken from the hospital only an hour before the announcement.

East Asia: Shifts Toward a New Balance of Power

By Gerald Segal

HONG KONG—It is often difficult to see a new balance of power when it is being created, but the events of the past few weeks are undoubtedly important steps in such a process.

Germany Is Everyone's Business

By A. M. Rosenthal

NEW YORK—For decades, Western political leaders lived and preached a lie—that the world had nothing to fear from a unified Germany.

unemployment has remained high. His Socialist Party has been made complacent and corrupt by its long hold on power.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1892: Tempting Cholera

LONDON—Papers here are interested in our isolated correspondent. They refer to him as the "Herald's experiment."

1917: Anthem Is Barred

NEW YORK—The playing or singing of "The Star Spangled Banner" in the Cathedral of St. John the Divine, the principal edifice of the Episcopal Church, has been prohibited by Bishop David H. Greer, according to an announcement made by the Veterans of the Foreign Wars of the United States.

1942: Wary on Solomons

WASHINGTON—[From our New York edition:] Renewed American air activity in the Solomon Islands, highlighted by damage done to a Japanese cruiser by Navy and Marine dive bombers, was announced tonight (Sept. 22) by the Navy Department.

INTERNATIONAL HERALD TRIBUNE KATHARINE GRAHAM, ARTHUR OCHS SULZBERGER Co-Chairmen LEE W. HUEBNER, Publisher

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# 1992

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The Maastricht Treaty / After the French Referendum

## European Monetary Union: Is There Still Hope?

No matter what happens to the Maastricht Treaty following the narrow French ratification of it last Sunday, and no matter what further obstacles arise on the road to European unity, the world business community remains confident that the EC's single market is here to stay.

As a result, the prospect for continuing integration of national econo-

institute on Jan. 1, 1994. Under that timetable, for three years — until the end of 1996 — the institute would lay the groundwork for the central bank. Its duties would include the following:

- Strengthening cooperation between the EC members' national central banks.
- Coordinating the national central banks' monetary policies.
- Overseeing the growth and development of the Ecu, including an Ecu clearing system.
- Monitoring the existing European Monetary System.

Reporting regularly on the progress of monetary convergence to the EC leaders, who will make the final decisions on exactly when the central bank will become active and when the Ecu will become the single currency.

In the aftermath of the narrow French endorsement of the Maastricht Treaty, many in European financial circles believe progress toward economic union will slow considerably, assuming that it happens at all.

The close French approval has certainly increased the prospects for a so-called "two-tier" EC in which some member nations would have economic union, including a shared currency, while others would not.

If the Maastricht Treaty's EMI does come into being, for example, many believe it will be around for longer than the planned three years, largely because it will probably take longer to assure the European financial community that a central bank and single currency really are on the way.

"To an extent, the EMI's progress depends on its ability to persuade the European financial industry that monetary union actually is going to happen. Right now, it's a working assumption but not a certainty," Mr.

### Progress toward union will slow considerably

emies within the single market has convinced many European bankers, traders and investors that some sort of continued movement toward European Monetary Union is all but inevitable.

"That's still the plausible planning assumption," says David Kern, the chief economist at Britain's National Westminster bank.

At the same time, however, the result of the French referendum has raised the controversial issue of whether the European Community is moving toward a "two-tier" system, whereby economic union would apply to some member states but not to others.

Like many others, Mr. Kern believes that even if the Maastricht Treaty holds together, the EC cannot stick to its original timetable — culminating in establishment of a European Central Bank by July 1, 1998 and full monetary union, including a single currency, by Jan. 1, 1999.

"The time frame envisioned by Maastricht was not realistic," he says. "My target date is 2005, not 1998."

For now and for however long the terms of the Maastricht Treaty remain the framework for unity, the next big EMU milestone would be the establishment of the European Monetary

Continued on Page 12



With only 51 percent of the French approving the Maastricht Treaty in last Sunday's referendum, the original timetable for establishing full monetary union may no longer be realistic.

Banking / Gold at the End of the Minefield

## Dread and Anticipation: Banks Size Up Regulations

The regulatory landscape is about to change dramatically for the European Community's banking industry. Some banks may find the streets of the financial single market paved with gold. For others, it may present a huge minefield.

A number of regulatory reforms are imminent within the EC, including two major packages of rules that appear

The changes are not affecting Germany alone, however. Across the EC, the coming of the Investment Services and Capital Adequacy directives are leading many, if not most, banks to reposition themselves. Many will re-emerge as full-service financial houses after buying local brokerage firms and establishing working links with investment companies in the big markets of North America and Asia.

### Many will become full-service financial houses

to be heading for enactment by the end of this year.

One is the Investment Services Directive, which will set the framework for banks to participate in cross-border stock trading. The other is the Capital Adequacy Directive, which will strengthen credit ratio requirements for banks operating within the EC.

The many new requirements of these two looming directives, with their inherent higher operating costs, are leading many institutions to recast their own financial profiles.

Nowhere are the changes coming with as much a mixture of dread and anticipation as in Germany, where the big banks have traditionally dominated the financial community. The new rules mean that the big German banks can do more business in other EC countries, but it also means that they may face new outside competition for their historic — and extremely lucrative — stranglehold on the country's vasty wealthy institutional investors and private banking sectors.

As a result, foreign investment houses in Germany are transforming their local stock-trading offices into banks. To compete, German banks are restructuring with securities subsidiaries that will offer customized services to the biggest investors.

Analysts, however, believe that banks in some countries may not be able to realize their potential in the new full-service climate unless their governments make some changes, too. In France, for example, the considered wisdom is that French banks can never be big players until the Paris bourse becomes more of a major player in the global equities game.

A new high-tech clearing and settlement system has given Paris a boost, along with the repeal of a tough takeover law that was seen as unfair to minority shareholders. French authorities are also considering reducing France's high stock-transaction costs and legalizing the kind of big private pension plans that play such a major role in other exchanges around the world.

Other banking directives that are not as far along but also carry a high priority in the EC include one that would cover bank failures and set the framework for an orderly winding up of banks that do go out of business.

A 16-page, policy-setting Green paper issued by the EC in Brussels last April, "Easier Cross-Border Payments: Breaking Down the Barriers," will provide the framework for binding rules that are expected to regulate the admission of new members to national clearing bank networks after next Jan. 1.

Timothy Harper

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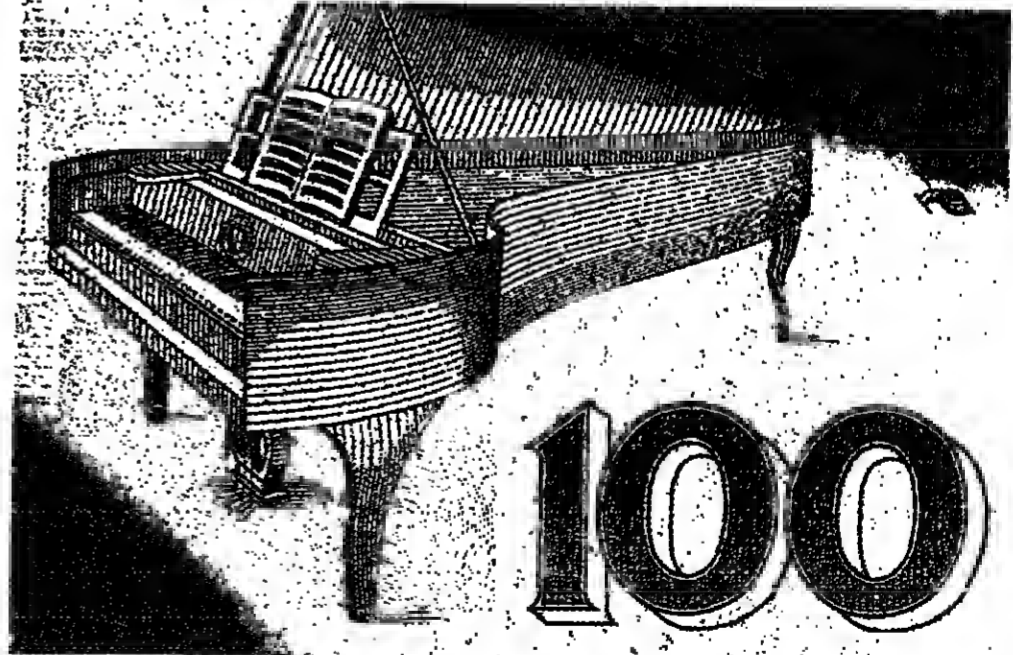
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# 1992 The World's Rendezvous With

European Currency Unit / A Sheer Necessity?

## One-Currency Controversy: We Love It, We Love It Not

At the Brussels-based Kredietbank, the world's first bank to offer Ecu clearing services back in 1980, the general manager, André Swings, has earned the nickname "Mr. Ecu."

His bank has not only led the way in Ecu clearing, but it is now also showing other banks how to begin treating the Ecu as their second currency: no commissions on franc-Ecu exchanges and no costs, fees, commissions or value-added taxes for customer payments of up to 100 Ecus, either at home or abroad.

The bank may be losing income, Mr. Swings admits, but he thinks it is a good investment because he believes the single market is a

firm reality for European business — no matter what happens to the Maastricht Treaty in the wake of the French referendum.

Consequently, even if the Ecu does not replace all other currencies, or if a "two-tiered" European Community leads to a single currency for only some member nations, many bankers believe the demands of the single market will increase the importance of the Ecu for anyone doing business in the EC.

As a result, Mr. Swings thinks other European banks should follow his bank in making similar dual-currency concessions to attract both consumers and business customers

who will remain loyal when the Ecu comes into wider use.

Single-currency boosters in European financial circles concede that the Ecu's popularity has been dimmed by the Danish and French referenda. But the French endorsement of Maastricht, however narrow, avoided the market "chaos" that some traders were predicting in the event of a "no" vote.

While the close oul keeps European unity on the tracks, however wobbly, it heightens speculation that the EC and its members will be forced to redraw their concepts and their timetables for closer economic and political ties.



Bigger, better, safer: new clearing systems to boost the Ecu.

Many Ecu-backing bankers remain convinced, however, that no matter how bumpy the road to European union, the Ecu remains what Mr. Swings calls "a sheer necessity" as the single market continues to develop. Mr. Swings notes that the EC budget is increasingly becoming an Ecu budget, and anyone

who wants to do business with the EC needs to be comfortable doing business in Ecus.

For the Ecu to gain wider acceptance in European banking — and thus in international finance — a new and better clearing process must first be developed among the clearing banks in the Ecu Banking

Association. "Today's clearing system is hampered by the lack of collateralized loans between EBA members," says Mr. Swings. "Without collateralization, the clearing system could grind to a halt if a large bank with a long position refuses to cover a small bank's large exposure. With it, we eliminate these

hesitations." The British, French, Italian and Portuguese central banks have taken the lead in establishing "collateralized facilities" to bolster the Ecu clearing system. The building of a large EC-wide clearing system may take years, however; many leading bankers believe a necessary first step is for the EC nations, through their central banks, to first create their own individual Ecu clearing systems, which can later be linked up across the EC.

"I can only see this being achieved if EC countries individually move their national systems on to a real-time gross-settlement basis," said Olivier Mas, Credit Lyonnais's general manager in London and chairman of the EBA, at a recent banking conference.

Meanwhile, private banks handling Ecus are also cooperating in an attempt to fight delays in netting and

clearing Ecus. The EBA, whose 90 members include 45 Ecu-clearing banks, clears an estimated 40 billion Ecus a day, up from 25 billion Ecus a day only two years ago. The increase in volume has strained the EBA's technical facilities, but the group is planning to install a new computer and software system to help fight delays.

The association says that other areas of future cooperation may include setting up reciprocal rules of credit-worthiness among EBA members and a formal loss-sharing system in the event of default or failure by a member bank.

Such changes are not expected to have any major impact on the Ecu markets, at least not in the near future. A bigger, better and safer clearing network for the Ecu, however, can only enhance its long-range stability in anticipation of a single currency.

T.J.H.

Maastricht / After the Referendum

## European Union: Is There Still Hope?

Continued from Page 11

Kern says. He notes that if and when the realization sinks in, European banks face great operational upheavals.

Along with other questions about the European Monetary Institute, including its membership and methods of working, a number of European financial centers are competing against each other to be its host city. Where the institute goes, many European bankers believe, the central bank — a much bigger plum for any national and local economy — is likely to follow.

"The institute is the obvious precursor to a European Central Bank," says Jennifer Schofield, a researcher at Deutsche Bank. "Wherever it's going to be, you have to assume that a where the central bank will be, too, it's a very political question."

London, Amsterdam, Luxembourg, Frankfurt, Paris and Barcelona, all putting themselves forward as candidates, regard the institute and the central bank as critical not only to future growth, but perhaps also to their continued survival as international money centers. "They see it as their lifeblood," Ms. Schofield says.

Besides choosing a site for the institute and bank, there are many lingering technical questions over how any sort of monetary union would be accomplished — assuming that it remains a goal in some form, either as part of the Maastricht Treaty or some other succeeding EC treaty. At what point, for example, would the values of the 12 currencies be frozen against each other? When and how would the Ecu be assigned its own inherent value, instead of being calculated on the weighted values of the current "basket" of EC currencies?

This is especially important because the value of a country's currency at that moment would serve, presumably forevermore, as a key in determining that country's wealth among its EC partners. The richer the country, the more it would pay to the EC in support; the poorer the country, the more it would gain in subsidies from the EC.

Many other questions remain. Assuming that the ECU would continue to "harden" on its way to becoming a single currency, when would it begin circulating? When would private companies be allowed to issue Ecu-denominated bonds? When would Ecu-denominated equities appear? Would that bring in huge amounts of institutional investment from pension funds heretofore wary of Europe?

How would Ecu pay-

ments systems be adjusted among EC countries and banks? What would happen to the valuation of Ecu instruments issued before EMU but maturing afterward? How would European companies revalue internal loans, leases and insurance arrangements? What might be the effect on interest-rate instruments used to hedge against pre-EMU exchange-rate fluctuations?

These are just a few of the questions that would have to be resolved by the proposed European Monetary Institute, by competitive forces emerging from the EC's financial single market or, more likely, a combination of the two.

Whatever happens, some believe that the process of monetary union remains inevitable, with or without the provisions laid out in Maastricht, and will make the Ecu one of the dominant currencies of the 21st century.

"These developments will contribute to the creation of one of the most important commercial and economic forces in the world and have an undeniable impact on financial institutions," says George S. Zavvos, a former EC Commission official who drafted the Second Banking Directive and is now a Greek member of the European Parliament.

One way or another, Mr. Zavvos says, the single market will require a single currency to eliminate exchange-rate risks, reduce transaction costs and lower capital costs.

"Ultimately, the Ecu will compete with the U.S. dollar, the Japanese yen and other currencies," Mr. Zavvos writes in a recent issue of the Brussels newsletter, The EC Times Financial Services Report. "Countries with strong trade and financial links to EC member states or those whose currency is currently pegged to an EC currency or the present Ecu basket will most likely hold Ecu reserves."

Addressing financial journalists in Paris on Sept. 21, Felix Rohatyn, a leading U.S. investment banker and senior partner of Lazard Frères, said he was relieved at the close outcome of the French referendum. He termed the outcome "a step toward stability in Europe" and possibly closer cooperation in monetary policy-making between the United States, Europe, Japan and other members of the International Monetary Fund meeting in Washington. "I have always favored a single European currency as a counterbalance to the force of the dollar and the yen," said Mr. Rohatyn. "It is an important step toward European integration."

Timothy Harper

# It's curious what passes for an interoperable computer system these days.

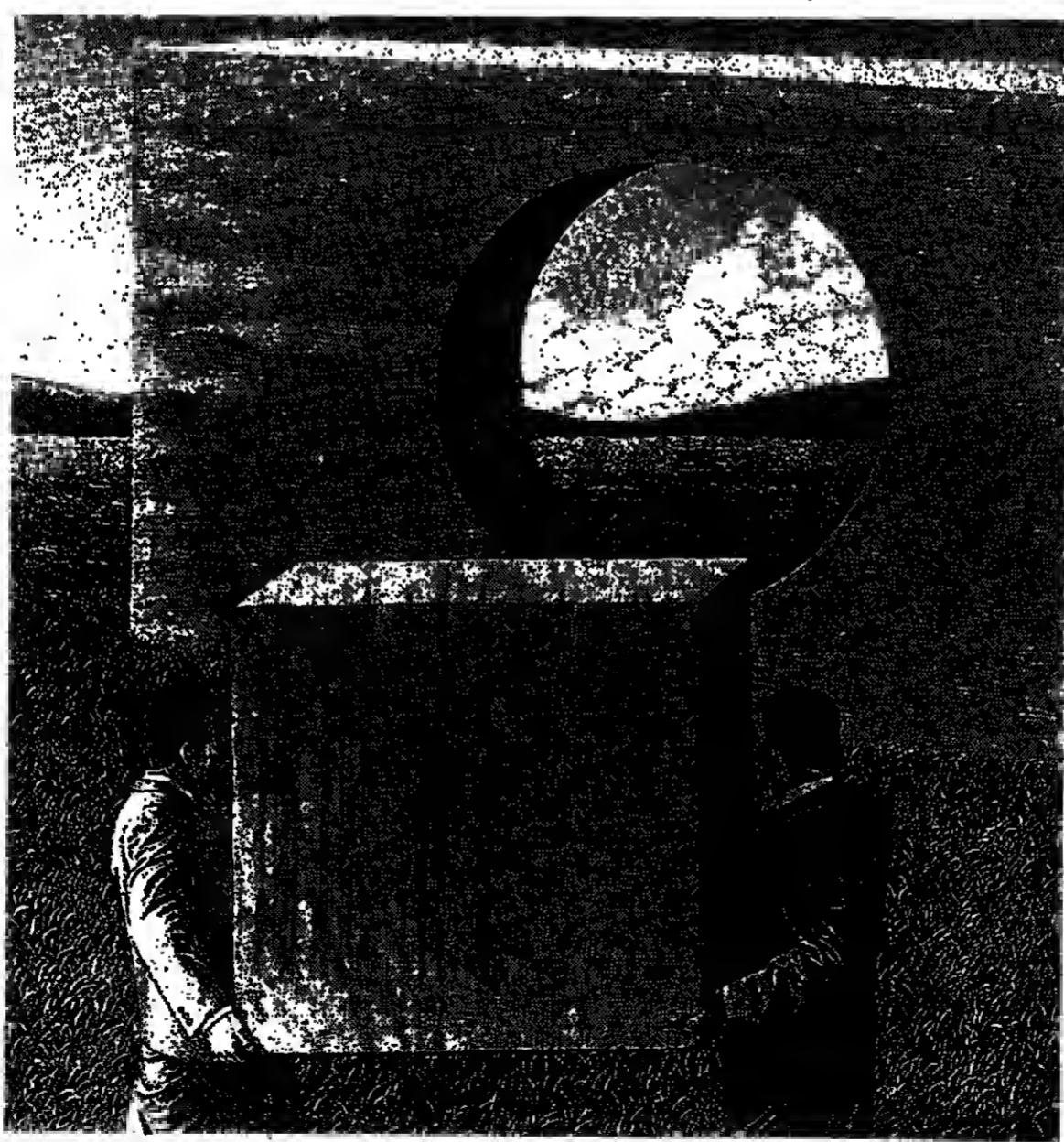
Lately, many computer suppliers are claiming that their systems are "Open". But open to what? Your computer environment, or theirs?

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This advertising section was produced in its entirety by the supplement division of the International Herald Tribune's advertising department. • Barbara A. Borst is a freelance journalist who works in Europe and Africa. • Claudia Flisi is a business writer based in Milan and Monte Carlo. • Timothy Harper, a London-based American journalist and lawyer, is the author of "Cracking the New European Markets," John Wiley & Sons, New York.

طريقنا من الامم

# 1992 The World's Financial Year

Bourses / Breakthrough

## Standards For Cross-Border Trading

Stock exchanges are the motors driving the economy. That much all parties agreed on throughout the long struggle to develop European Community regulations in this field.

The Investment Services Directive, designed to open securities trading among the 12 EC member states, at last won political approval from the council of finance ministers early this summer. The final draft is being prepared for review this fall, with an eye to putting it into practice early in 1993.

At the same time, a number of securities markets have expanded networks among European exchanges, with plans for a common listing of major stocks, and are exploring possi-



French traders the morning after the referendum: Will the franc escape unscathed?

### 'A European passport for EC securities houses'

ble further links — even a "truly European central market."

The EC's Investment Services Directive will enable brokerages and other organizations authorized in one EC country to do business on the exchanges of the other member states. Peter Gullford — spokesperson for Sir Leon Brittan, EC commissioner for competition policy and financial services — says the directive is "a major breakthrough" because it sets standards that make cross-border trade possible.

"It is as urgently needed as the single market," says Mr. Gullford. "Without free movement of investment, industry will be shackled."

Rudiger von Rosen, spokesperson for the Frankfurt Stock Exchange board of managing directors, says that "the Investment Services Directive featuring a European passport for securities houses within the EC will mean a quantum leap for the European stock-exchange structure."

Despite motivation to integrate the exchanges, the stumbling blocks were numerous. Mr. Gullford says the

toughest issues included transparency (the amount of information on each transaction that must be supplied to authorities), bank access to markets and domestic requirements that all shares be traded on stock exchanges. Compromise and grace periods — 1996 through 1999 for Spain, Portugal and Greece — helped resolve the issues.

Jill Ackers, spokeswoman for the London Stock Exchange, says Britain questions why a directive aimed at liberalization should regulate domestic markets at all.

The London system, being quote-driven, is fundamentally different from order-driven markets elsewhere in the EC. In London, market makers risk their own money in offering to buy large quantities of stock at a given price; they do not wish to publicize details of what they are trying to resell.

A spokesperson for the French exchanges says the French are particularly pleased that the directive introduces regulations on transparency and respects the principle of centralized national markets, which they consider important for protecting investors.

While France had no quarrel with proposals on direct bank access to stock exchanges, Germany, with its bank-dominated system, and Spain were diametrically opposed, Mr. Gull-

ford says. Other nations feared that their markets would be swamped by the technology or wealth of their neighbors.

As the final version of the directive takes shape, the Federation of Stock Exchanges of the EC is preparing to launch Eurolist and Euroindex by year's end. Eurolist will provide exchanges with a listing of the values of 150, later 300, major European stocks. Euroindex will be a barometer of European exchanges, bringing the investor coherent information on what has been a fragmented scene.

Ms. Ackers says that "the European exchanges need to work together to jointly run and regulate a truly European marketplace." Such a market would likely be quote-driven and deal in large blocks of highly liquid securities.

London's Seag International accounts for the lion's share of European securities listed beyond their domestic markets, Ms. Ackers says, but it is a quotation-display system, not a market.

"We're already seeing more stock issues going to Europe or worldwide offers," she says. "The real advantage, if we can create one truly European central market, is that we will also provide access to a pool of capital no one country can provide."

Barbara Borst

Insurance / Jack Be Nimble

## Innovative Juggling in a Traditional Game

"Insurance has traditionally been... well, rather traditional," acknowledged Sir Leon Brittan, vice president of the executive commission of the European Community. In a speech last year, "in some European markets, the products offered, the distribution systems, the investment policies and many other aspects are still very similar to those of 40 years ago."

All that is being swept away, however, by the myriad changes transforming the world's financial landscape.

### Distribution: key factor in insurance marketing

What was once true about the insurance industry — that it was classically cyclical, that the level of competition was limited, that the focus of companies was by and large on their local markets and that risk avoidance was more important than product innovation — is no longer the case.

The EC Commission is trying to create a level playing field for insurance companies: encouraging competition, on the one hand, and continuing to look after consumers' interests, on the other. Balancing these two considerations is a tricky juggling act, especially when there are different criteria for property/casualty, life and reinsurance. All these balls are still in the air, and the jugglers are still trying to get their act together as the clock ticks away to Jan. 1, 1993.

The Treaty of Rome guarantees two basic commercial freedoms throughout the EC: establishment and services. In principle, therefore, insurance companies should have the freedom to set tariffs and determine policy conditions without prior approval by various state authorities. Controls imposed by state regulators should allow for as wide a scope of product innovation as possible. "To create a genuine single market," says Humbert Drabbe, head of the commission's Insurance Division, "it is necessary to introduce full home-country control and a single license." This means that if an insurer is licensed by its home country, it has the right to operate throughout the EC. The host country, where the risk is located, will still retain some control over the conduct of business. In this way, Brussels hopes to minimize risk while maximiz-

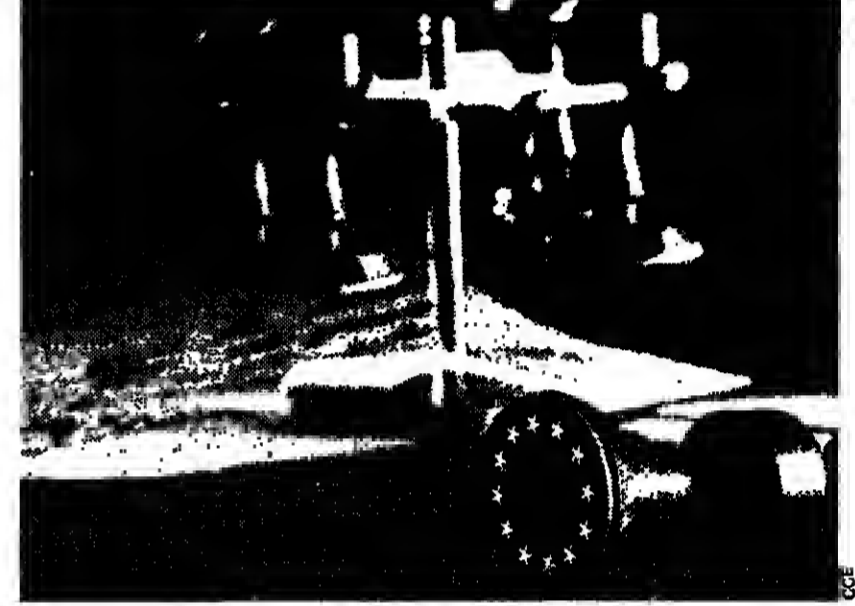
ing product innovation and diversity. Local insurance authority is fiercely guarded, however, and progress in harmonizing insurance practices has lagged behind that of other areas of EC domain. In 1990, the Council of the EC Commission adopted the Second Non-Life Directive, which allows customers to buy insurance across borders for large risks. National legislatures were to have implemented it that year, but only seven of the 12 have passed appropriate laws; Ireland, Italy, Luxembourg, Portugal and Greece have yet to do so.

The Frameworks Directive (third non-life directive), passed last June, will have much greater impact, says Patrick Pearson of the commission's Insurance Division. It directly affects domestic markets by solidifying the single-license concept, although each state retains certain regulatory powers within its borders. This directive also imposes minimum standards

performance and financial strength of companies from different countries. It also lays down rules as to the calculation and definition of technical provisions in non-life insurance. The result, according to Mr. Drabbe, will "increase competition, benefiting shareholders, investors and policyholders alike."

Insurance companies seeking to expand both within and beyond their national boundaries are eagerly seeking new distribution channels, and banks have become their willing partners in this quest. Distribution is the key factor in the marketing of insurance products, notes Carlo Baldissera Pacchetti, co-author of an Andersen Consulting study of the industry, and bank networks offer a built-in distribution system that is much more cost-effective than the agent network traditionally used in Europe.

In such a change-driven environment, only the most nimble will sur-



The EC Commission puts its stamp on the insurance industry.

of regulation of assets to cover technical reserves, and it requires that home-country regulatory authorities be notified of substantial changes in shareholding.

The Accounts Directive, passed late in 1991, allows for comparison of the

live, be they giants or specialists. The successful insurance companies of the 1990s, in short, will have to learn to juggle, a very untraditional skill for this industry's still-parochial practitioners.

Claudia B. Filat

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## CONSOLIDATED BALANCE SHEET 1991

	\$ (MILLIONS)	% (91/90)
TOTAL ASSETS (including commitments and contingencies)	150,448	+13.2
DEPOSITS FROM CUSTOMERS	58,281	+13.5
LOANS AND ADVANCES TO CUSTOMERS	43,234	+14.5
FUNDS UNDER ADMINISTRATION	92,694	+16.9
GROSS OPERATING PROFIT	1,426	+ 3.2
CAPITAL ACCOUNTS	4,929	+23.7

The following subsidiaries have also contributed to the 1991 consolidated figures: Monte Paschi Leasing, Monte Paschi Factor, Monte Paschi SE.RI.T., G.E.R.I.T., IFC, Monte Paschi Finanza S.I.M., Monte Paschi Mercato S.I.M., Centrofinanziaria, MPS U.S. Commercial Paper.

One Group, its constituent parts, one balance sheet. As a result, joint resources grow, reinforced by an ever stronger and invigorated group spirit. MONTE DEI PASCHI DI SIENA, BANCA TOSCANA, CREDITO COMMERCIALE, CREDITO LOMBARDO, BANCO VALDOSTANO, ICLE, ITALIAN INTERNATIONAL BANK and MONTE PASCHI BANQUE are the MPS BANKING GROUP. 1,000 branches in Italy, 20,000 employees, 39 branches, subsidiaries and representative offices across Europe and the world. This is the result of an increasingly unified group, already focusing on new targets.

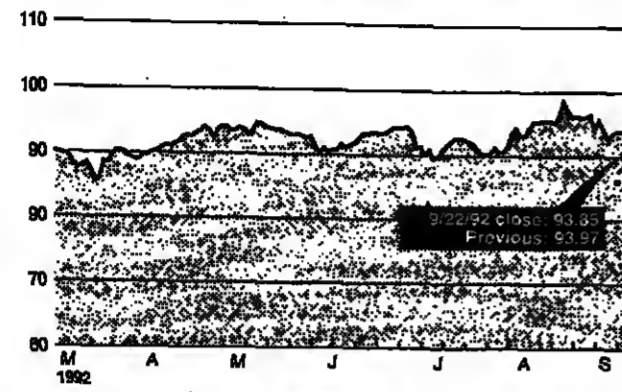
In 1992, Banca Monte Paschi (Suisse), Monte Paschi Australia and Cassa di Risparmio di Prato joined the MPS Banking Group.

Monte dei Paschi di Siena and Italian International Bank are members of The Securities and Futures Authority.

BUSINESS

THE TRIB INDEX: 93.85

International Herald Tribune World Stock Index of 230 internationally investable stocks from 20 countries, compiled by Bloomberg Business News. Jan. 1, 1992 = 100.



The index tracks U.S. dollar values of stocks in Tokyo, New York, London, and Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden and Switzerland. In the case of Tokyo, New York and London, the index is composed of the 20 top issues in terms of market capitalization. In the remaining 17 countries, the ten top stocks are tracked.

Table with three columns: Asia/Pacific, Europe, and N. America. Each column contains a small line graph and a table of stock index values for various countries and regions.

Table with two columns: Industrial Sectors. Lists sectors such as Energy, Utilities, Finance, Services, Capital Goods, Raw Materials, Consumer Goods, and Miscellaneous with their respective index values and percentage changes.

MEDIA MARKETS

More Confident Harper's Takes Another Big Step

New York — Harper's Magazine is feeling confident. Even flush. Ten years ago, Harper's had losses of almost \$2.5 million a year. "Now we are balancing on the point of breaking even," the magazine's editor, Lewis H. Lapham, said.

The Folio section will showcase writers and offer advertisers a premium position. The Folio section will provide a counterpoint to the shorter, snappier features that have characterized the magazine for the past eight years.

The October issue contains the first Folio piece, "Falko at the Wall," a novella by Don DeLillo. It takes place during the 1951 playoff game between the Brooklyn Dodgers and the New York Giants when Bobby Thomson clinched the pennant for the Giants.

See HARPER'S, Page 17

U.K. Cuts Rate to Slow Recession

By Richard W. Stevenson
New York Times Service
LONDON — Having abandoned its effort to keep its currency stable, Britain took advantage Tuesday of its new economic flexibility by cutting its benchmark interest rate in an attempt to end the painful recession.

The interest rate cut was Britain's reward for having withdrawn last week from the European exchange rate mechanism, under which European Community nations are committed to maintaining stable currency values even at the cost of keeping rates high. But by confirming that Prime Minister John Major's government has no immediate plans to bolster the rapidly eroding value of the pound, the action also increased the likelihood of accelerating inflation.

The FT-SE 100-share index closed up 25.9 points at 2,586.00. The decreasing likelihood of a rate cut in Germany sent stocks down in Frankfurt, where the DAX-30 index closed at 1,550.34, down 23.52 points.

The rate cut seemed timed to insulate Mr. Major somewhat from the intense pressure he is certain to face from the opposition parties to lay out a clear policy for stimulating the economy. Mr. Major will also be seeking to quell a mounting revolt within his own Conservative Party over his plan to return Britain to the exchange-rate mechanism sometime and to keep Britain committed to ratification of the Maastricht treaty on European unity.

"This is a welcome first step towards stimulating recovery from recession," said Sir Michael Angus, the president of the Confederation of British Industry, a trade group. "It is fully justified by the weakness of the real economy and exceptionally low inflationary pressures."

But some business executives said the cuts would not be enough to stimulate a turnaround, even if, as economists predict, rates come down another full percentage point, to 8 percent, by the end of the year. Underlining the economy's problems, figures released Tuesday showed that Britain's trade deficit widened in August to its highest level since April as imports outvalued exports by \$1.87 billion.

Despite Slump, IMF Urges Discipline on Rates and Budgets

By Paul F. Horvitz
International Herald Tribune
WASHINGTON — The IMF's chief economist said Tuesday that the U.S. Treasury should not be lulled by the recent recovery in the economy, but should continue to work on its budget and debt problems.

Mr. Brady told a session of the 172-nation IMF that lower interest rates would attract money "to projects which produce jobs, thereby reducing poverty and creating a higher standard of living."

Mr. Brady also said that investment stay sterile in the banking system. But Mr. Camdessus argued in a speech to delegates that manipulating interest rates would not heal the underlying cause of slow growth and currency fluctuations.

Wall Street Treads On H.K. Turf

By Laurence Zuckerman
International Herald Tribune
HONG KONG — Hong Kong's hopes of becoming the "Manhattan of China," funneling international capital into the mainland economy, may be dashed by underwriters in the real Manhattan if a Chinese company succeeds with its plan to be the first mainland company to list on the New York Stock Exchange.

The Big Board has approved the initial public offering of 5 million shares priced between \$14 and \$16 of Brilliance China Automotive Holdings Ltd. That three-month-old Bermuda-based company's only asset is a 51 percent holding in ShenYang JinBei Passenger Vehicle Manufacturing Co., a maker of minibuses in China's industrial northeast that is a joint venture between the state and foreign investors.

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CURRENCY & INTEREST RATES

Table with multiple columns listing currency exchange rates for various countries (Austrian, Canadian, Danish, etc.) and interest rates for different terms (3-month, 6-month, 1-year).

Table with multiple columns listing Eurocurrency deposits (1-month, 3-month, 6-month, 1-year) and key money rates (Discount rate, Prime rate, Fed funds rate, etc.).

Table with multiple columns listing Gold prices (A.M., P.M., C.M.) and other market data.

MARKET DIARY

Bonds Plummet, Hurting Stocks

Bloomberg Business News NEW YORK — Wall Street stocks closed broadly lower Tuesday, swamped by a plunge in Treasury bonds and some prominent blue chips, including Coca-Cola and General Motors.

bonds fell further after the Commerce Department said housing starts soared 10.4 percent in August. The benchmark 30-year bond lost more than a point, and its yield rose to 7.46 from 7.36 late Monday.

FRANC: Paris Intervenes Heavily (Continued from page 1) bank as a barometer of future German inflation, were seen as ruling out any chance of an immediate decrease in German interest rates.

Foreign Exchange Persaud at UBS Phillips & Drew in London. Given the continuing over-run in money supply growth, a self-imposed constraint on any lowering of Bundesbank interest rates, analysts see little hope for rate relief in the days ahead.

The dollar could be a powerful signal to the market that Germany is prepared to rescue the franc," Mr. Persaud said. The only other hope is that speculators may get worn down by the cost of their operations.

WORLD STOCK MARKETS

Table of world stock markets including Amsterdam, Helsinki, Hong Kong, Brussels, Johannesburg, Milan, London, and Montreal. Columns include stock names, prices, and percentage changes.

The Dow



NYSE Most Actives

Table listing the most active stocks on the NYSE, including IBM, General Motors, and Coca-Cola, with their respective volume and price changes.

AMEX Most Actives

Table listing the most active stocks on the AMEX, including various technology and financial stocks.

NYSE Diary

Table listing key events and price movements on the NYSE, such as declines in IBM and General Motors.

AMEX Diary

Table listing key events and price movements on the AMEX.

NASDAQ Diary

Table listing key events and price movements on the NASDAQ.

Dow Jones Averages

Table showing various Dow Jones averages, including Industrial, Chemical, and Pharmaceutical, with their high, low, and close prices.

Standard & Poor's Indexes

Table showing Standard & Poor's index averages for various sectors like Industrials, Chemicals, and Pharmaceuticals.

NYSE Indexes

Table showing NYSE index averages for Composite, Industrials, Chemicals, and Pharmaceuticals.

NASDAQ Indexes

Table showing NASDAQ index averages for Composite, Industrials, Chemicals, and Pharmaceuticals.

AMEX Stock Index

Table showing AMEX stock index averages for Composite, Industrials, Chemicals, and Pharmaceuticals.

Dow Jones Bond Averages

Table showing Dow Jones bond averages for 20-Year, 30-Year, and Industrial bonds.

Market Sales

Table showing market sales for NYSE, AMEX, and NASDAQ, including volume and value.

N.Y.S.E. Odd-Lot Trading

Table showing N.Y.S.E. odd-lot trading statistics for various months.

S&P 100 Index Options

Table showing S&P 100 index options for various months, including call and put options.

EUROPEAN FUTURES

Table showing European futures prices for Food, including Sugar, Cocoa, and Coffee.

Table showing European futures prices for Metals, including Aluminum, Copper, and Zinc.

Table showing European futures prices for Stock Indexes, including FTSE 100 and Nikkei 225.

Table showing European futures prices for Spot Commodities, including Wheat, Soybeans, and Corn.

Table showing European futures prices for Dividends, including various stock indices.

Financial

Table showing financial futures prices, including 3-month and 6-month Treasury bills.

U.S. FUTURES

Table showing U.S. futures prices for Grains, including Wheat, Corn, and Soybeans.

Table showing U.S. futures prices for Metals, including Copper, Silver, and Gold.

Table showing U.S. futures prices for Livestock, including Cattle and Hogs.

Table showing U.S. futures prices for Soybean Meal and Soybean Oil.

Table showing U.S. futures prices for Cattle and Hogs.

Table showing U.S. futures prices for Financial, including Treasury bills and T-bonds.

Table showing U.S. futures prices for Stock Indexes, including S&P 500 and NYSE.

Table showing U.S. futures prices for Commodity Indexes, including Wheat and Soybeans.

Table showing U.S. futures prices for Market Guide, including various commodity and stock indices.

U.S. / AT THE CLOSE

A Surge in Home Building

WASHINGTON — Home construction surged 10.4 percent in August for its largest increase in one and a half years, the Commerce Department said Tuesday, boosted by low interest rates and dry weather.

Senate Approves Bill on Cable TV

WASHINGTON (AP) — The Senate on Tuesday ignored a veto threat by President George Bush and gave final congressional approval to legislation designed to hold down costs in the cable television industry and encourage competition.

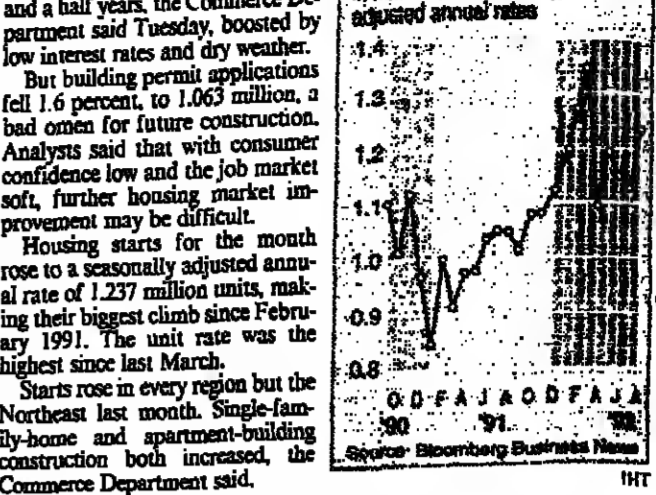
IBM Software for Small Computers

NEW YORK (AP) — IBM said Tuesday that it would make mainframe-class software for its line of small workstation computers, one of the surest signs yet that even International Business Machines Corp. cannot keep customers from defecting from its profitable large machines.

For the Record

Boeing Co.'s commercial airplane unit said Tuesday that it had received an order valued at \$345 million, including spare parts and training, from EVA Airways, a new carrier based in Taiwan, for two Boeing 747-400 airplanes.

U.S. Housing Construction



Pinault and Printemps Plan Merger

PARIS — Pinault SA, the French distribution company, and the department store chain Au Printemps SA plan to fully merge this year, Au Printemps said Tuesday.

Table showing market data for various commodities and currencies, including Gold, Silver, and various currencies.

Table showing market data for various commodities, including Wheat, Corn, and Soybeans.

Table showing market data for various commodities, including Copper, Silver, and Gold.

Table showing market data for various commodities, including Cattle and Hogs.

Table showing market data for various commodities, including Soybean Meal and Soybean Oil.

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Table showing market data for various commodities, including Financial, including Treasury bills and T-bonds.

Table showing market data for various commodities, including Stock Indexes, including S&P 500 and NYSE.

Table showing market data for various commodities, including Commodity Indexes, including Wheat and Soybeans.

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# NYSE

Tuesday's Closing  
Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

Stock	Low	High	Open	Close	Change
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4

Stock	Low	High	Open	Close	Change
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4

Stock	Low	High	Open	Close	Change
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4

Stock	Low	High	Open	Close	Change
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Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4

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Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4
Ames	15 1/4	15 3/4	15 1/2	15 3/4	+ 1/4

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Afin d'être valable, les procurations doivent être signées par les actionnaires devant être envoyées au siège social afin d'être reçues le jour ouvrable précédant l'assemblée à 17 heures au plus tard.

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Effective October 15th, 1992, Citicrencias in mutual fund established under Luxembourg law will have its registered status changed to UCITS in fully compliant with the EEC Directive 85/611. Thereafter the Fund will invest in transferable securities with low volatility, minimal credit risk and high marketability. Investments will mainly consist of bonds with variable interest (floating rate), bond with a remaining life of less than 2 years as well as treasury bills, issued by first class governments or guaranteed by ancillary liquid assets (including any regularly negotiated money market instruments with residual maturities of less than 12 months, cash and cash equivalents). Effective the same date, an additional sub-fund, the Citicrencias RCI Portfolio will be launched and the Citicrencias AUD Portfolio will be dissolved. Articles 1, 2, 3, 4, 5, 6, 7, 8, 11, 15 & 16 of the Management Regulations will be amended accordingly.

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سكنا من الامم

### Tough Transition for China Trade Talks With U.S. Only the Beginning

By James Sterngold  
New York Times Service  
BEIJING — As the United States and China prepare for what are likely to be nonstop negotiations to conclude a trade pact by Oct. 10, economists and government officials say this is only the beginning of years of tough talks for China as its trading partners demand that it open its protected economy.

### Jardine Net Up 12.4% But Japan Trade Weak

Compiled by Our Staff From Dispatches  
HONG KONG — Jardine Matheson Holdings Ltd. said Tuesday that profit in the first half of its financial year rose more than 12 percent, but analysts said the results would have been even better had it not been for the weak Japanese economy.

### Japanese Growth Slows to a Crawl

Compiled by Our Staff From Dispatches  
TOKYO — Japan's slumping economy, shackled by bulging inventories and falling consumer and corporate spending, expanded only 0.3 percent from April through June, the government announced Tuesday.

### Investor's Asia

Exchange	Index	Tuesday Close	Prev. Close	Change
Hong Kong	Hang Seng	5,740.18	5,741.53	-0.01
Singapore	Straits Times	1,329.81	1,337.57	-0.58
Sydney	All Ordinaries	1,520.80	1,531.60	-0.71
Tokyo	Nikkei 225	18,282.72	18,066.24	+1.20
Kuala Lumpur	Composite	588.32	587.99	+0.06
Bangkok	SET	863.42	868.75	-0.81
Seoul	Composite Stock	519.16	521.54	-0.46
Taipei	Weighted Price	3,524.75	3,481.90	+1.23
Manila	Composite	1,396.15	1,410.64	-1.03
Jakarta	Stock Index	295.60	295.19	+0.14
New Zealand	NZSE-40	1,473.14	1,475.34	-0.15
Bombay	National Index	1,477.42	1,468.00	+0.84

Sources: Reuters, AFP  
International Herald Tribune

### Very briefly:

- Toshiba Corp. of Japan said it would start exporting the world's smallest handheld portable telephone to North America this month, followed by other markets including Latin America and Taiwan.
- Compaq Computer Corp., a major U.S. computer maker, will sell 30 types of personal computers in Japan next month for about half the price of most Japanese computers, the Nihon Keizai newspaper reported.
- Sanyo Kokusaku Pulp Co., Japan's fifth-largest domestic paper producer, has signed an agreement with the National Cancer Institute of the United States to develop an anti-AIDS drug.
- Nippon Television Network, a leading Japanese television company, in revised earnings estimates, said it now expected current profit in fall 29 percent, to 5.6 billion yen (\$450 million), in the half year to Sept. 30.
- Alan Greenspan, chairman of the Federal Reserve Board, will visit Japan next month as guest of Yasushi Mieno, Bank of Japan governor.
- Singapore banks have announced a new round of prime rate cuts to stimulate demand for loans, taking rates to 5 to 5.25 percent.
- Pacific Dunlop Ltd., a rubber and industrial-products maker based in Australia, is joining the bidding for the New Zealand group Wattle Foods Ltd., being sold by the Australian-based Goodman Fielder Wattle Ltd.
- South Korean investors, upset by a further plunge in the shaky stock market, demonstrated their anger with the government by throwing thousands of share slips into the streets of central Seoul.

### Indian Broker Released From Jail

Compiled by Our Staff From Dispatches  
NEW DELHI — Harshad Mehta, the broker at the center of India's \$1.2 billion financial scandal was released on a court order Tuesday after spending 110 days in prison.

### August Car Output Plunges

Bloomberg Business News  
TOKYO — Providing evidence of the weakness of Japan's economy, automakers said Tuesday that August had marked their steepest year-on-year decline in production since 1974.

### Shanghai Rights Issue Is Put on Ice

Reuters  
HONG KONG — The first rights issue involving foreign investors in China's infant stock market is unlikely to go ahead this year because of market uncertainty, a Hong Kong-based merchant banker said on Tuesday.

### China to Add Regulator

Reuters  
HONG KONG — The People's Bank of China will give up its role as overseer of the two stock exchanges by year-end in favor of a Western-style national regulatory body, a central bank official announced Tuesday.

### Siemens Forms Venture in China

Reuters  
ERLANGEN, Germany — Siemens AG, the German electrical engineering company, said Tuesday that it had formed a joint venture in China to make and sell computerized tomography systems used to provide an inside view of the body.

### LIST: Hong Kong vs. Wall Street

(Continued from first finance page)  
The authorities that this is a success," he said.  
The First Boston prospectus, which was prepared with the help of the Arthur Andersen accounting firm, shows a picture little different from the companies offered in Shenzhen and Shanghai that have been weaned off of China's anti-Western accounting practices.

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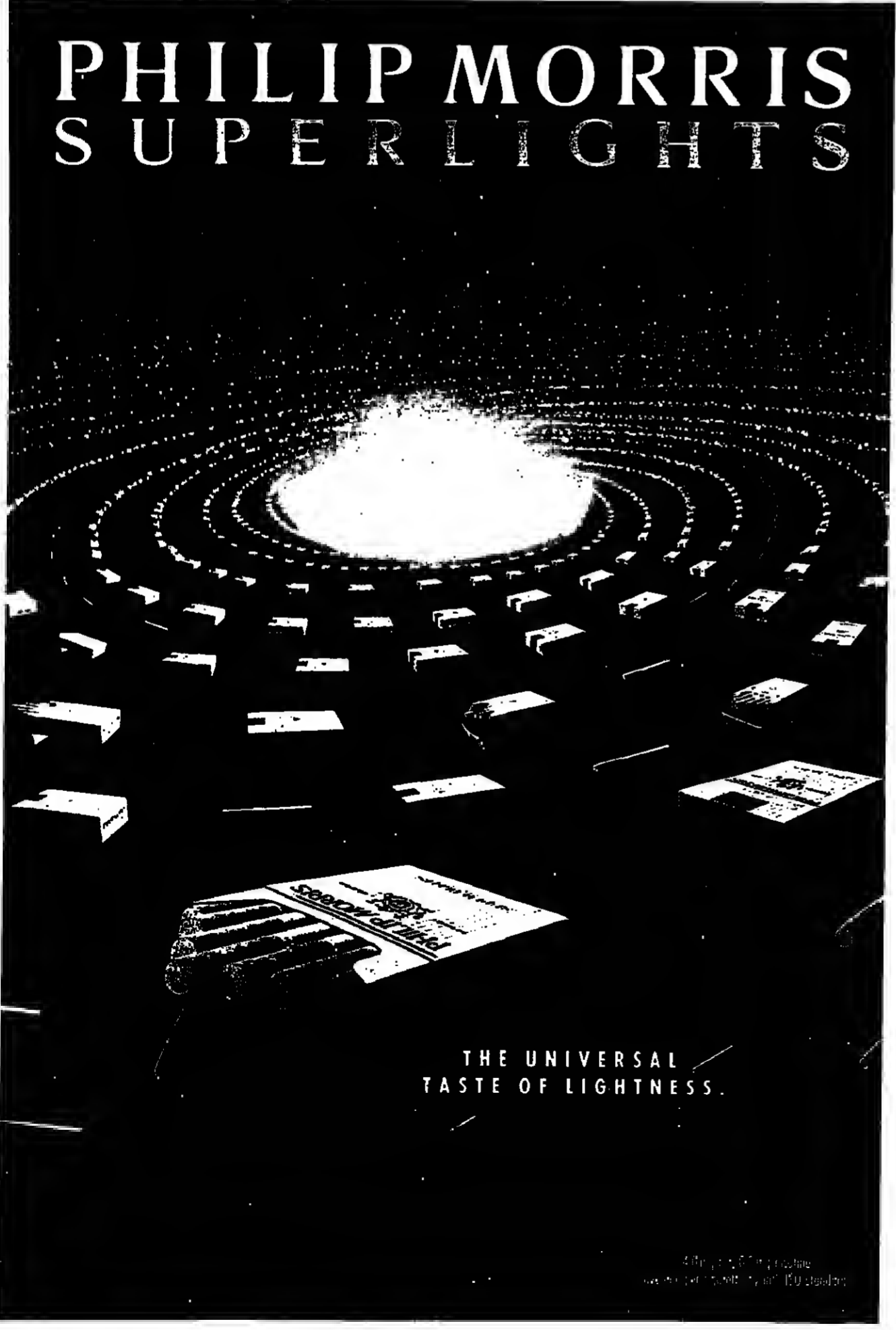
Tuesday's Closing Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

(Continued)

Main financial data table containing various market indices, stock prices, and exchange rates.

AMEX High-Lows table with columns for NEW HIGHS 14 and NEW LOWS 18, listing various stocks and their price ranges.

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Tuesday's Closing
Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

Table with columns: High, Low, Open, Close, Bid, Ask, Last, etc. for various AMEX stocks.

Table with columns: High, Low, Open, Close, Bid, Ask, Last, etc. for various international stocks.

Table with columns: High, Low, Open, Close, Bid, Ask, Last, etc. for various international stocks.

INTERNATIONAL FUNDS

Large table listing various international funds with columns for fund name, share price, and other details.

Table listing various domestic funds with columns for fund name, share price, and other details.

46%





OBSERVER

From Up to Downsizing

By Russell Baker
NEW YORK — It's the age of downsizing. Downsizing sounds like a new dry-cleaning process, but it is not. It is simply the opposite of upizing.

The great age for upizing was the 1950s. Republicans think the 1950s was the great age for family values. Nonsense. The great age for family values was the 1930s.

That's when everybody who was out of work had to move back in with the family since the government safety net hadn't yet been invented and moving in with the family didn't seem half as bad as fighting hoboes for lebensraum in railroad freight cars.

As soon as the money came back everybody said "So long" to the family, and the age of upizing began. That's when Americans bought cars and moved into new suburbs to watch television, grill steak in the carport and produce children.

In the age of upizing, people naturally moved — where else? Cigarette smokers, which meant almost everybody, were beguiled by TV commercials to "move up to Kents."

Up was also what you had to keep with.

Demons named Jones set the standards for the keeping-up competition. Since they usually lived next door, you rarely had a day off from the consumption stakes. When the Joneses bought a third TV set and a second car every body else was expected to shell out promptly at the same rate. This was called "keeping up with the Joneses."

7 Cézannes Up for Sale

The Associated Press
LONDON — Seven paintings by Paul Cézanne will be sold by Christie's on Nov. 30. The auction house estimated their sale value at up to £12 million (about \$20 million). The works include the artist's self-portrait painted about 1866, which was owned by his friend, the novelist Emile Zola. Others in the sale are a picture from Cézanne's "Bathers" series, two landscapes and a study of a man smoking a pipe. The works are from the collection of Anguste Pellerin, a French industrialist who bought his first Cézanne in 1895 and eventually owned more than 100.

Is Your Brain Tired? Jump in the Pool!

By David Tracey
TOKYO — The world's most prolific inventor thinks best underwater and relaxes in a brain-enhancing chair.

"Anyone can invent," insists Yoshiro Nakamats, who uses a creative spelling to help foreigners pronounce his name. His more than 2,360 patented inventions, the most in the world, include the floppy disk. (Thomas Edison, in second place, had only 1,093 ideas worth protecting.) Nakamats spreads his message in Japan through public lectures, frequent TV appearances and books with titles like "You Can Raise a Smarter Child" and "How to Become a Superman by Lying Down."

The Japanese can be world-class creators, he insists, if they would learn to think for themselves. The problem is historical.

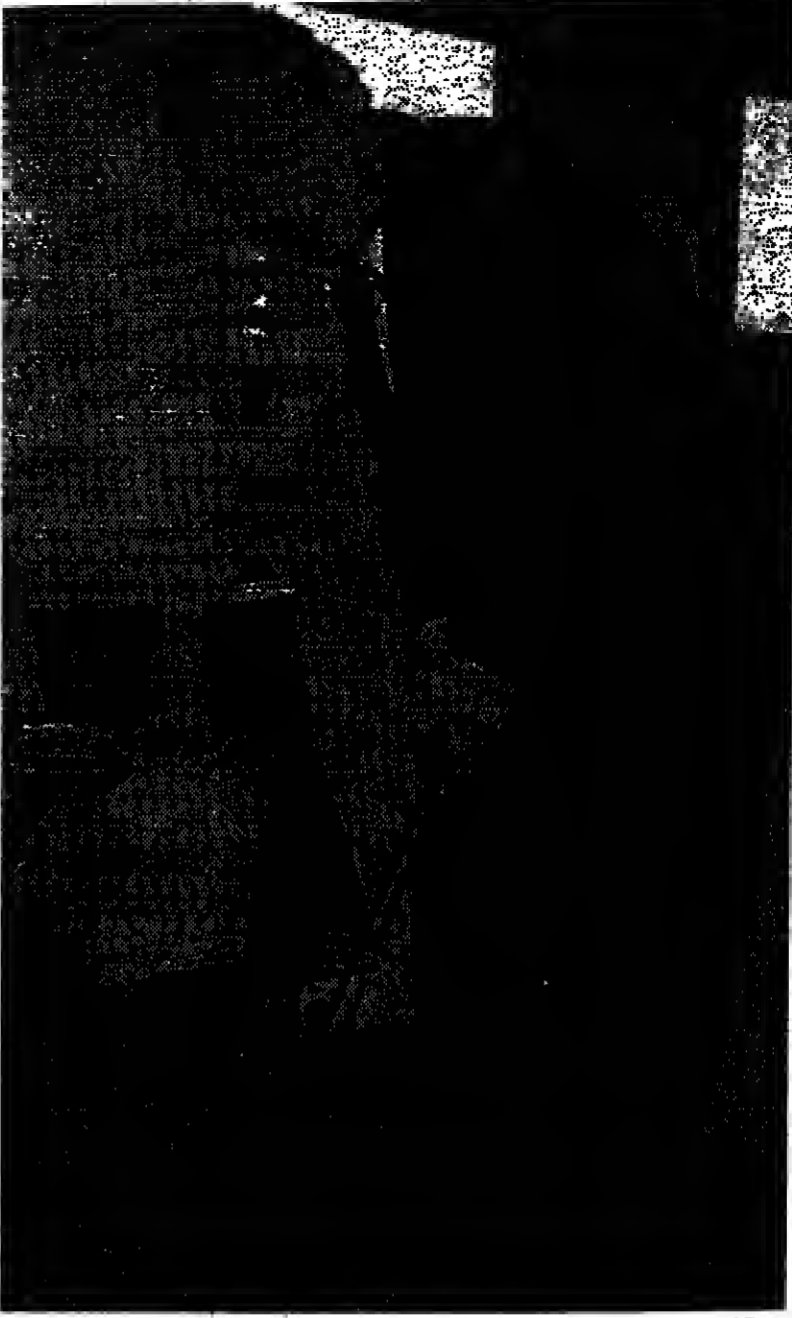
"Japan was closed to other countries for 300 years in the Edo Era. No imports or exports. Then [in the 1870s] we sent groups out to research Europe and other Western countries. They were very surprised to see how far we had been passed by. Locomotives, communication systems, they had everything.

"We decided to follow Western technology, Western culture and the Western education system. This is one of our basic problems now. Japanese are still educated in this way. So today even if a Japanese is creative, he still follows the West."

Nakamats' advice for would-be inventors tends to be more inspirational than technical. He has a five-tiered pagoda theory on inventing, for example, in which the first floor is split: "In my experience most inventors, maybe 98 percent, don't make any money because they have the wrong spirit. They do it for selfish reasons, because they want to make money. Inventing should be for the good of society. Love is the most important spirit for inventing."

Even his practical tips are apt to leave one wondering whether an inventor needs an eccentric personality to match. He recommends thinking underwater ("Oxygen deprivation stimulates the brain") and says he keeps a special notebook at the bottom of his pool to jot down winning ideas. He sells or leases "Cerebra" chairs to people who believe that zapping the brain with infrared rays will make it more productive. And Beethoven is perfect music for inventing, he counsels, crediting the composer's Fifth Symphony with helping inspire the floppy disk.

In 1947, when I was in the University of Tokyo's engineering department, I used



Inventor Nakamats with putter: "Oxygen deprivation stimulates the brain."

could probably use more engineers who can crack a joke. If that's what his older inventions are, but they don't make it any easier to evaluate the ones he says will change our lives. They could also be responsible for the fact that he is a perennial loser in Japanese elections, appreciated mainly for lightening up otherwise dull campaigns. In last year's election for the governor of Tokyo, he received 27,000 out of 4.6 million votes.

David Tracey is a free-lance journalist in Tokyo.

PEOPLE

Turmoil on 'Tonight': Leno's Producer Is Fired

It seems that the best action on the new "Tonight Show" is off-stage: NBC has fired Helen Kushnick as executive producer of the show after a bitter booking war with late-night competitor "The Arsenio Hall Show," became public. Her removal came less than four months after her protégé Jay Leno took over as host, succeeding Johnny Carson. Kushnick reportedly had banned a singer from her show because he had agreed to be on "Arsenio." Kushnick, who did not return telephone calls after the firing, has said that the enmity directed toward her was a result of men resenting that a woman was in a position of power.

After months of touring Europe's culinary high spots, Sisko Macdonald, the owner of Le Cirque in Manhattan, has decided who will replace Daniel Boulud as Le Cirque's executive chef. He's Sylvain Porty, 31, who has been a "chef de cuisine" at the Louis XV in Monte Carlo, working with Alain Ducasse.

Princess Diana's German sports car, which has been returned to Mercedes-Benz as a gesture to the recession-hit British car industry, could become a collectors' item. Experts say the royal car could fetch more than £90,000 (about \$152,000). The princess was widely criticized for not supporting British industry when she leased the red Mercedes 500 SL convertible "run-about." She will have to make do with whatever is available in the royal car pool — all made in Britain.

Downing Street has denied newspaper reports that Prime Minister John Major's 17-year-old son James was ordered off a soccer pitch at his private school for using foul language.

LElan Goldman, the widow of Sol Goldman, who amassed a \$1 billion real-estate empire in New York, is giving \$20 million to the Yale Law School.

Zsa Zsa Gabor says "Wheel of Fortune" is educational for her husband, Prince Frederick von Anhalt. "He's German, so he learns how to spell from watching."

TODAY'S BUSINESS MESSAGE CENTER
Appears on Page 4

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